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SEP 05 1984

JUN 20 1984

Dear Applicant:

We have considered your application for exemption from Federal income tax as an organization described in section 501(c)(6) of the Internal Revenue Code of 1954.

The information submitted discloses that you were incorporated under the nonprofit corporation laws of the State of [REDACTED] on [REDACTED].

Section 1.501(c)(6)-1 of Income Tax Regulation states, in part, as follows:

"A business league is an association of persons having some common business interest, the purpose of which is to promote such common interest....It is an organization of the same general class as a chamber of commerce or board of trade. Thus, its activities should be directed to the improvement of business conditions of one or more lines of business as distinguished from the performance of particular services for individual persons."

Members of a business league must be drawn from one or more lines of business and the organization must improve conditions for the general line of business. Restrictions placed on membership serve to define that line of business.

Information you submitted indicates that you have contracted with [REDACTED] and that the retainer clients of [REDACTED] shall be members of your corporation and the retainer fee will be the normal dues paid to the association.

Your bylaws define membership eligibility to be all persons, firms, corporations or associations, engaged in industry or business. Currently, your membership consists of [REDACTED] members in the following categories: Construction [REDACTED], trucking [REDACTED], public employers [REDACTED], supplies [REDACTED], distributors [REDACTED], restaurants [REDACTED], hotel [REDACTED], manufacturing [REDACTED], and service companies [REDACTED].

Your organizations's membership comes from various lines of business and so does not satisfy the line of business requirement.

[REDACTED]

In addition, activities must be directed to the improvement of business conditions of one or more lines of business as distinguished from the performance of particular services for individual persons.

Your primary purpose is to provide consulting and negotiation services in contract negotiations and union grievances. [REDACTED]
[REDACTED] provides these services on a retainer basis, and members are charged a fee assessment of \$[REDACTED] per hour for representation.

Representation of member employers in contract negotiations, or in resolving a grievance, benefits the particular employer rather than benefiting an industry. Providing consulting services to members on a retainer basis is a convenience or economy to members in conducting their businesses. Secondly, this activity would generally be done by members for themselves if not by the organization. Thirdly, each member's contribution is in proportion to what is received. Members pay \$[REDACTED] per hour for the services indicating that the individual member is being benefitted rather than the industry.

Revenue Ruling 65-164, 1965-1, C.B. 238, held that an organization consisting of individuals, partnerships, firms and corporations in a particular industry which had as its purpose negotiation of collective bargaining contracts, interpretation of such contracts and adjustment of labor disputes on an industry-wide basis qualifies under section 501(c)(6). Membership dues constitute its only source of income.

This organization can be distinguished from your organization in that your members do not represent a particular industry and do not have a common business interest. Secondly, your members are represented separately in negotiations and are separately charged on an hourly basis for consulting services rendered, which supports the conclusion that these activities represent particular services to individual members. The organization described in Revenue Ruling 65-164 had representation performed for the members on an industry-wide basis.

We have concluded that you do not qualify for exemption from Federal income tax as an organization described in section 501(c)(6) of the Internal Revenue Code. Accordingly, you are required to file income tax returns on Form 1120, annually, with your District Director.

If you are in agreement with this proposed determination, we request that you sign and return the enclosed agreement Form 6018. Please note the instructions for signing on the reverse side of this form.

[REDACTED]

If you are not in agreement with this proposed determination, we recommend that you request a hearing with our office of Regional Director of Appeals. Your request for a hearing should include a written appeal giving the facts, law, and any other information to support your position as explained in the enclosed Publication 892. You will then be contacted to arrange a date for a hearing. The hearing may be held at the office of Regional Director of Appeals or, if you request, at a mutually convenient District Office. A self-addressed envelope is enclosed.

Sincerely yours,

[REDACTED]
District Director

Enclosures:
Publication 892
Form 6012

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